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Approved by:

Susan Reid

Acting Agricultural Counselor

U.S. EMBASSY, PARIS, FRANCE

Drafted by:

Roselyne Gauthier

Market Brief - Product

Functional Foods: A Promising Market for France

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Paris [FR1],

1. Executive Summary

By definition, a functional food is a consumer health product with at least one ingredient, nutritional or not, which affects in a positive way one or several functions of the human body. Some examples of functional foods are vitamin-enriched cookies, high-energy candies, and anticholesterol oils. French consumers' growing concern with health and food safety will make France an important market for functional foods. Estimates of this market's growth potential show annual growth at about 20 percent. By 2005, this market will account for 5-10 percent of total food sales.

Functional Food Advantages

- # Nutritional value for higher energy levels and Overall well-being.
- # Increasing consumer demand
- # Market opportunities for U.S. products

Challenges to consider

- Importers & retailers' lack of knowledge
- Competition from local manufacturers
- Strict labeling requirements and regulations

2. Market Trends and Consumption

The demand for functional food is growing worldwide. Medical-nutrition, energy-welfare and slimness-fitness are the leading functional food products. According to XTX, a market research company, in 1998 about one new world product out of three was grouped under the category "health and welfare". The table below compares functional foods in 1996 and current market shares.

Percent of total functional foods market in 1996, and trend in overall market share

Fitness foods:	16 percent	rising	Health foods :	15 percent	rising
Slimness Fitness	7 percent	rising	Medical and nutrition	8 percent	rising
Energy-welfare	8 percent	rising	natural-organic	5 percent	stable
cosmeto-foods	1 percent	stable	vegetarian foods	2 percent	rising

Source: XTC 1998.

For a French consumer the nutritional aspect of a functional food is very important, and products having the best potential in this market are energetic confectionery, milk, oat breakfast cereal, biscuits, olive oil, anti-wrinkle fruit beverages, and calcium enriched jams.

While functional foods have established markets in the U.S. and Japan, their European markets remain under-developed due to strict European regulations. In France, such regulations prohibit the sale of functional foods which claim to have preventive or curative properties. Therefore, products cannot be labeled as cures to high cholesterol, heart disease, or cancer.

3. Trade and Competition

In France, most functional foods are manufactured by the food industry's leading French companies. In addition to these companies' marketing efforts, supermarket advertising campaigns and health reports have led to increased sales. While statistics are not readily available, trade trends show that this food segment will reach 5 to 10 percent of total food sales in the year 2005.

4. Market Access and French Regulations

Before exporting to France, U.S. suppliers should label their products conservatively and be fully aware that they may have to justify their labels to French authorities. Below are the definitions of the authorized labeling indications:

' Nutritional indication:

Per French decree of September 27, 1993, a nutritional indication refers to any indication, suggestion or implication that a food product has particular nutritional properties. Examples are vitamin C enriched orange juice, low-fat cake.

' Functional indications :

This indication is subject to French decree of December 7, 1984 regarding labeling and representation of food products. Note that labels should make no curative or preventive claims, direct or otherwise. Therefore, a food product can indicate: containing fibers which lengthen the process of digestion, but it cannot claim that such fibers reduce the risk of intestinal cancer.

Tariffs and taxes:

Tariffs on consumer food products apply to functional foods. These tariffs vary according to the type of product and its Harmonized System (HS) custom code classification.

Functional foods, like consumer food products, are subject to customs duties and a value added tax of 20.6 percent.

Labeling Standards:

French label requirements should be in French and include the following information:

- # Name and type of product
- # Product country of origin
- # Importer's or vendor's name within the EU
- # Manufacturer's lot or batch number
- # Shelf life: The expiration date of the product must be clearly indicated for perishable products
- # Statement of contents: list of ingredients, including nutritional ingredients, expressed in metric units. All additives, preservatives and color agents must be noted on the label using either their specific group name or their "E" number.
- # Nutritional and functional information: refer to above paragraphs.

End of Report

Market Briefs are researched and produced by the Office of Agricultural Affairs (OAA), American Embassy, Paris, France. Market Briefs provide exporters with key information on products the OAA has identified as having increasing or good potential in the French market.

For further information contact:

Office of Agricultural Affairs

American Embassy

PSC 116, Box A 218 (AGR) - APO AE 09777

Tel: (33-1) 43 12 2264

Fax: (33-1) 43 12 2662

E-mail: FASParis@Compuserve.com

Internet: www.amb-usa.fr/fas/fas.htm

List of Functional Food Importers/Distributors

BONNETERRE

1, place des Planteurs
94538 Rungis Cedex
Tel: (33-1) 49 78 25 00
Fax: (33-1) 46 87 91 68
Contact: James Serive

ILAPHARM

58, rue Pottier
78150 Le Chesnay
Tel: (33-1) 39 23 20 30
Fax: (33-1) 39 63 31 20
Contact: Mr. Jubin

BIO CASH DISTRIBUTION

281, avenue du marché Gare
MIN Espace No. 13
Tel: (33-4) 67 58 68 58
Fax: (33-4) 67 58 59 70
Contact: Madame Dubois

LABORATOIRE OLAC

ZI des Marais
38350 La Mure
Tel: (33-4) 76 81 37 65
Fax: (33-4) 76 81 24 34
Contact: Hervé Akpovi

CANAL BIO

46bis, quai Loire
75019 Paris
Tel: (33-1) 42 06 44 44
Fax: (33-1) 42 06 13 55
Contact: Olivier Mugler

LBA SAINT AMBROISE

32, route de Saverne
67790 Steinbourg
Tel: (33-3) 88 91 10 15
Fax: (33-3) 88 71 29 71
Contact: Pierre Binz

CYBER AGE NUTRITION

26, chemin de la Justice
95390 Saint Prix
Tel: (33-1) 39 59 66 65
Fax: (33-1) 39 59 66 65
Contact: Dr. Nahon

NATURLAND

Immeuble Agropole - BP 697
06517 Le Broc Carros Cedex
Tel: (33-4) 92 08 82 82
Fax: (33-4) 92 08 82 98
Contact: Olivier Rombi

DAME NATURE/LA VIE CLAIRE

36, avenue du 1er Mai
91127 Palaiseau Cedex
Tel: (33-1) 64 53 83 00
Fax: (33-1) 64 53 83 01

NATURE ET COMPAGNIE

Rte Nationale 7
13760 Saint Cannat
Tel: (33-4) 42 50 69 20
Fax: (33-4) 42 50 69 29

Contacts: Messrs. Legrelle, Mathieu (Dame Nature) Contact: Mr. Lambert
Messrs. Bosch, Jerome (La Vie Claire)

DISTRIBORG

217, chemin du Grand Revoyet
69561 Saint Genis Laval
Tel: (33-4) 72 39 97 97
Fax: (33-4) 72 39 94 56
Contact: Brigitte Marmone

DISTRINAT

26130 Saint Paul Trois Chateaux
Tel: (33-4) 66 39 46 55
Fax: (33-4) 66 39 33 18
Contact: Mr. Bernanconi

EURONAT/PRIMEAL

ZI La Boissonnette
07340 Peaugres
Tel: (33-4) 75 67 30 15
Fax: (33-4) 75 67 30 24
Contact: Claudine Demay

HALEKO FRANCE

ZI les Trouyaux
34560 Poussan
Tel: (33-4) 67 78 27 27
Fax: (33-4) 67 78 45 48
Contact: Mr. Hertz Weber

NATURE PROVENCE

26170 La Penne sur Ouvéze
Tel: (33-4) 75 28 08 57
Fax: (33-4) 75 28 03 05
Contact: Françoise Stoen

NEWDIET

36, rue d'Alésia
92602 Asnières
Tel: (33-1) 47 93 59 59
Fax: (33-1) 47 93 92 44
Contact: Jean Verdier

SUPPLEX

BP 18
53, rue Pasteur
72500 Château du Loir
Tel: (33-2) 43 44 01 53
Fax: (33-2) 43 44 29 67
Contact: Pierrick Lefeuvre

ULTIMATE NUTRITION

BP 139
06157 Cannes la Bocca
Tel: (33-4) 93 48 34 60
Fax: (33-4) 93 48 34 61
Contact: Philippe Bruno